

## SULLIVAN HINCKS &amp; CONWAY

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

120 WEST 22nd STREET, SUITE 100  
OAK BROOK, ILLINOIS 60523DANIEL C. SULLIVAN  
PATRICK M. HINCKS  
JOHN J. CONWAY  
JOHN P. CALLAHAN, JR.  
DESMOND P. CURRAN  
MATTHEW P. BARRETTE  
RYAN A. MAHONEYTEL (630) 573-5021  
FAX (630) 573-5130  
www.shlawfirm.com

08 C 443

January 8, 2008

Ramon Villarreal  
Personal & Confidential  
NAFTA General Agency, Inc.  
594 Jose Marti Blvd.  
Brownsville, TX 78526Re: Program Manager Agreement between American Service Insurance Company and NAFTA  
General Agency

Dear Mr. Villarreal:

Please be advised that I am Illinois counsel for American Service Insurance Company, Inc. ("ASI"). As you know, on November 7, 2007, ASI terminated the Program Manager Agreement effective as of November 12, 2007, pursuant to the terms of the agreement. After several discussions with you and in good faith, ASI agreed on November 13, 2007, to a modified agreement which would allow NAFTA General Agency to continue to write business until December 31, 2007 in consideration of three specific requirements as set forth in our letter dated November 15, 2007. On December 28, 2007, Underwriters MGA, Inc. filed suit in Hidalgo County Texas and obtained an ex-parte temporary injunction in which you have challenged the validity of the termination you had previously agreed upon. On January 3, 2008, we advised in writing that any business issued by NAFTA/UMGA subsequent to December 31, 2007 would be a violation of our November 15, 2007 modified termination agreement and that ASI would hold NAFTA/UMGA and you personally liable for any losses and expenses incurred as a result of any new or renewal business issued after December 31, 2007. In addition, we advised you of your failure to maintain adequate collateral levels securing the personal guarantee per the agreement and also that \$151,409.67 was past due under the agreement. These represent material breaches of the Program Manager Agreement and ASI intends to vigorously pursue all of its remedies under the Agreement.

As a result of your purported challenge to the validity of our termination, this letter shall serve as formal notice pursuant to Article XIV, I, of the Program Manager Agreement, that ASI suspends all binding authority afforded to you and NAFTA/UMGA effective as of the date of this letter. While ASI certainly believes that their termination was valid and effective as December 31, 2007, to avoid any possible argument that NAFTA/UMGA has the ability or authority to write business after December 31, 2007, per the Agreement, while the dispute over



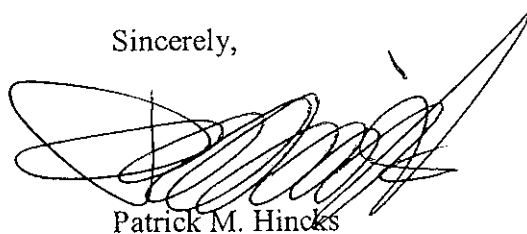
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the termination proceeds, NAFTA/UMGA is suspended from and shall not write any new business or renewal business.

This suspension of binding authority shall in no way waive any of ASI rights pursuant to the Agreement and or positions in any pending litigation.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick M. Hincks", with a large, sweeping flourish extending upwards and to the right.

Patrick M. Hincks

VIA FACSIMILE AND OVERNIGHT MAIL

Cc: Mr. David Calvillo  
Calvillo Law Firm  
711 Nolana Loop  
Suite 105  
McAllen, TX 78504